

Message Text

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ACTION COME-00

INFO OCT-01 AF-06 EUR-12 NEA-10 ISO-00 EB-07 AGR-05 TRSE-00

OMB-01 AID-05 CIAE-00 INR-07 NSAE-00 L-03 /057 W

----- 074348

R 211115Z JAN 76

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 982

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

LIMITED OFFICIAL USE KHARTOUM 0196

PASS USDOC FOR OFFICE OF EXPORT DEVELOPMENT

E.O. 11652: N/A

TAGS: EAGR, EFIN, SU, KU

SUBJECT: KENANA SUGAR PROJECT

1. EMBASSY HAS BEEN RELIABLY INFORMED THAT KUWAIT HAD HSSIVELY#INCREASED ITS INVOLVEMENT IN THE KENANA SUGAR PROJECT. EQUITY OR EQUITY EQUIVALENT HAS NOW GONE TO A TOTAL OF \$150 MILLION (\$100 MILLION IN EQUITY, \$50 MILLION IN SUBORDINATED DEBENTURES), YIELDING A 1:1 DEBT-EQUITY RATION. KUWAIT HAS AGREED TO PROVIDE \$64 MILLION "UP FRONT" AND GUARANTEE FINANCING OF ANY OVERRUNS, WHETHER ASSESSABLE TO SUDANESE OR TO FOREIGN INVESTORS. IN RETURN, KUWAIT IS IMPOSING CERTAIN UNSPECIFIED CONDITIONS -- WHICH MAY CAUSE OTHER FOREIGN INVESTORS AND EVEN CONTRACTORS TO WITHDRAW.

2. COMMENT: KUWAITI ACTION, IF TRUE, WOULD BE SHOT IN ARM FOR A PROJECT HITHERTO KNOWN FOR ITS FINANCIAL WEAKNESSES. IT WOULD BOTH DEMONSTRATE

AND ENHANCE KUWAIT'S ALREADY SUBSTANTIAL ECONOMIC/
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COMMERCIAL INTERESTS IN SUDAN. CONDITIONS IMPOSED

BY KUWAITIS COULD INVOLVE PROJECT IUELF (E.G.,
FREE HAND FOR LONRHO, KENANA MANAGER, WHICH NOW
PARTIALLY KUWAITI-OWNED), OR OTHER KUWAITI COMMERCIAL
INTERESTS IN SUDAN (E.G. CEMENT FACTORY, REF STATE
007170, NOTAL). HOWEVER DEVELOPMENT IS EXPLAINED,
ONE RESULT MAY WELL BE RENEWED OPPORTUNITIES FOR
U.S. EXPORTERS. BERLIND

NOTE BY OC/T: #AS RECEIVED.

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Message Attributes

Automatic Decaptioning: X
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Disposition Authority: morefirh
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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04 MAY 2006

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